

State of Nebraska

2023

**Interim Tax Expenditure
Report**

Prepared by

**Nebraska Department of Revenue
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NEBRASKA

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DEPARTMENT OF REVENUE

October 13, 2023

Introduction

This 2023 Interim Tax Expenditure Report is published by the Nebraska Department of Revenue (DOR), pursuant to the Tax Expenditure Reporting Act, Neb. Rev. Stat. § [77-379 through 77-385](#). This report provides a review of tax and fee (tax) expenditures to enable the Legislature to better determine those sectors of the economy that are receiving indirect subsidies as a result of tax expenditures. This Interim Report provides updated estimates for that portion of the sales tax exemptions found in section (2)(d) to (f) of § [77-382](#), as required by § 77-385 section 2(b). The full Tax Expenditure Report is published biennially during even-numbered years.

A “tax expenditure” is defined as a revenue reduction that occurs in the tax base of the state or a political subdivision as a result of an exemption, deduction, exclusion, tax deferral, credit, or preferential rate introduced into the tax structure. See Neb. Rev. Stat. § [77-381\(1\)](#).

This report is submitted to the Governor, the Executive Board of the Legislative Council, and the chairpersons of the Legislature’s Revenue and Appropriations Committees. This report is also available on the DOR’s website at revenue.nebraska.gov.

Questions and comments regarding the format, content, and usefulness of the information provided in this report may be directed to Michael J. Walsh, Tax Policy Manager, at mike.walsh@nebraska.gov or 402-471-5921. The DOR appreciates input and feedback from the public on this report.

James R. Kamm
Tax Commissioner

October 13, 2023

Nebraska and Local Sales and Use Taxes

Basic Provisions and Tax Base

Sales Tax¹

Nebraska sales tax is imposed upon the gross receipts from:

- all sales, leases, rentals, installation, application, and repair of tangible personal property, except for repair labor on motor vehicles;
- providing public utilities, cable services, or satellite services;
- selling intellectual or entertainment property;
- selling admissions, bundled transactions, prepaid calling arrangements, or specified digital products;
- selling warranties, guarantees, service agreements, and maintenance agreements on taxable property;
- renting or furnishing accommodations or lodging for periods of less than 30 days; and
- selling or providing certain services.

The state sales tax rate is 5.5%.

Property is defined as all tangible and intangible property (including rights, licenses, franchises) that are subject to tax; and any services that are subject to tax.

Use Tax¹

Use tax is a complement to the sales tax and is imposed upon the storage, use, distribution, or other consumption of all tangible personal property, and taxable sales of intangible property, services, bundled transactions, or specified digital products purchased at retail when the sales tax has not been paid.

Local Sales and Use Taxes

Any Nebraska county or incorporated municipality (city) may impose a local sales and use tax upon approval by a majority of their voters in a regular election. The local tax applies to the identical transactions subject to the state sales and use tax, with the exception of direct-to-home satellite programming, which is exempt from local, but not state sales taxes under federal law. Local sales taxes of 0.5%, 1%, 1.5%, 1.75%, and 2% may be approved by municipal voters, except in cities of the metropolitan class, which are limited to a local sales tax rate of 0.5%, 1%, or 1.5%. Voters in counties may also impose a local sales tax of 0.5%, 1%, or 1.5%. Unless the county sales tax is to satisfy a judgment that is in excess of \$25 million, the county sales tax applies only to transactions sourced in areas in the county that are outside municipalities with a local sales tax. The tax is collected and remitted to the state and is then remitted to the municipalities and counties after deducting refunds and a 3% administrative fee. The 3% fee from municipalities is deposited in the Municipal Equalization Fund; the 3% fee from counties is deposited in the State General Fund.

The data sources cited in each category provide the raw data and are analyzed by the DOR to arrive at the estimates. Generally, sources include DOR sales tax records, other State of Nebraska agencies, the federal government, nonprofit organizations, and trade groups. Some estimates are based on confidential DOR data so a data source is not provided. In some cases, no reliable data exists to provide an estimate, and is listed as “not available.”

For 2023 and each fourth year thereafter, [Neb. Rev. Stat. § 77-385\(2\)\(a\)\(ii\)](#) requires the DOR to analyze the actual or estimated revenue loss caused by the tax expenditures described in subdivisions (2)(d) through (f) of [§ 77-382](#). These are the Consumer Goods, Energy, and Food sections of the full Tax Expenditure Report. This report satisfies the requirements of that section.

¹The taxes collected are deposited into four funds: the State General Fund; the Highway Trust Fund, the State Highway Capital Improvement Fund, and the Game and Parks Commission Capital Maintenance Fund. Deposits to the Highway Trust Fund are made from the sales and use taxes derived from sales and leases of motor vehicles, trailers, and semi-trailers registered in Nebraska. The balance of taxes collected is deposited into the State General Fund. The proceeds from 1/4 of one cent of the sales tax is deposited in the State Highway Capital Improvement Fund. The proceeds from sales or leases of motorboats, all-terrain vehicle, and utility-type vehicles are deposited in the Game and Parks Commission Capital Maintenance Fund.

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Consumer Goods¹

1. Motor Vehicle/Motorboat Trade-ins

Statutory citation: [77-2701.35\(3\)\(e\)\(ii\)](#)

Description: The value of a motor vehicle, motorboat, all-terrain vehicle, or utility-type vehicle taken by any person in trade as all or part of the consideration for a sale of another motor vehicle, motorboat, all-terrain vehicle, or utility-type vehicle.

Estimate: \$63,875,000

Data source: Nebraska Department of Motor Vehicles

2. Merchandise Trade-ins

Statutory citation: [77-2701.35\(3\)\(e\)\(i\)](#)

Description: The value of trade-ins taken in connection with a sale of property.

Estimate: Not available.

3. Certain Medical Equipment and Medicine

Statutory citation: [77-2704.09\(1\)](#)

Description: Insulin, prescription drugs, mobility-enhancing equipment, drugs sold under a doctor's prescription, and durable medical equipment, home medical supplies, prosthetic devices, oxygen, and any oxygen equipment for a patient's use sold under a doctor's prescription and are eligible for coverage by Medicaid.

Estimate: \$259,631,000

Data source: U.S. Center for Medicare and Medicaid Services

4. Newspapers

Statutory citation: [77-2704.07](#)

Description: Newspapers issued at least once a week; and newspaper advertising supplements distributed with newspapers.

Estimate: \$3,876,000

Data source: U.S. Census Bureau, Economic Census

5. Laundromats

Statutory citation: [77-2704.14](#)

Description: Receipts of coin-operated machines for laundering and cleaning, except for washing motor vehicles.

Estimate: \$654,000

Data source: U.S. Census Bureau, Economic Census

6. Tele-floral Deliveries

Regulation: [1-052.03](#)

Description: Amounts received by Nebraska florists who make deliveries in this state pursuant to instructions received from florists in other states.

Estimate: \$1,199,000

Data source: DOR

¹ All estimates in the following report are for fiscal year 2022-2023 unless otherwise noted.

7. Motor Vehicle Discounts for the Disabled

Statutory citation: [77-2704.21](#)

Description: The entire purchase price of a motor vehicle purchased when the maximum amount allowed by law is contributed by the U.S. Department of Veterans Affairs or the Nebraska Department of Health and Human Services for a disabled person. If the amount contributed is less than the maximum amount, the exemption is based on the portion of the purchase price contributed.

Estimate: \$11,000

Data source: U.S. Department of Veterans Affairs

Note: The cost estimation for the year 2022 is based on U.S. Department of Veterans Affairs' projection of what the automobile grant and veteran population would be in the year 2022 based on fiscal year 2016 veteran population.

8. Political Campaign Fundraisers

Statutory citation: [77-2704.10\(4\)](#)

Description: Fees and admissions charged for political events by ballot question committees, candidate committees, independent committees, and political party committees as defined in the Nebraska Political Accountability and Disclosure Act.

Estimate: Not available

9. Feminine Hygiene Products

Statutory citation: [77-2704.70](#)

Description: Feminine hygiene products defined as: Tampons, panty liners, menstrual cups, sanitary napkins, period underwear, and other similar tangible personal property designed for feminine hygiene. Does not include general grooming and hygiene products such as soaps, toothpaste, shampoo, and lotions.

Estimate: \$1,734,000

Data source: U.S. Census Bureau, Economic Census

Energy

10. Motor Fuels

Statutory citation: [77-2704.05](#)

Description: Motor vehicle fuels such as gasoline, including casing head or natural gasoline, and any other liquids or gases for use in motor vehicles or motorboats; diesel and compressed fuels delivered into the fuel supply tanks of motor vehicles; or for railroad use.

Estimate: \$327,845,000

Data source: DOR; U.S. Department of Energy, Energy Information Administration

11. Energy Used in Industry

Statutory citation: [77-2704.13\(2\)](#)

Description: Sales and purchases of the energy sources in [§77-2704.13\(1\)](#) when more than 50% of the amount purchased is for use directly in processing, manufacturing, or refining, in the generation of electricity, in the compression of natural gas for retail sale as a vehicle fuel, or by any hospital.

Estimate: \$139,747,000

Data source: U.S. Department of Energy, Energy Information Administration, State Energy Price and Expenditure Report

12. Energy Used in Agriculture

Statutory citation: [77-2704.13\(1\)](#)

Description: Sales and purchases of electricity, coal, gas, fuel oil, diesel fuel, tractor fuel, propane, gasoline, coke, nuclear fuel, butane, wood as fuel, and corn as fuel when more than 50% of the amount purchased is for use directly in irrigation or farming.

Estimate: \$73,771,000

Data source: U.S. Department of Agriculture, Agricultural Census; U.S. Geological Survey, Estimated Water Use Report; Metropolitan Utilities District, Omaha

13. Aviation Fuel

Statutory citation: [77-2704.03](#)

Description: Fuel for use in aircraft, specifically aviation gasoline and jet fuel.

Estimate: \$5,887,000

Data source: DOR; U.S. Department of Energy, Energy Information Administration

14. Minerals, Oil, and Gas Severed from Real Property

Statutory citation: [77-2704.04](#)

Description: Mining or extracting minerals, oil, and gas in Nebraska.

Estimate: \$7,832,000

Data source: DOR, Form 61 returns

15. Net Metering of Electricity

Statutory citation: [77-2701.16\(2\)\(c\)\(ii\)](#)

Description: A customer-generator's electricity production will be netted against their electricity consumption for the purpose of determining the customer-generator's sales tax liability.

Estimate: \$390,000

Data Source: U.S. Department of Energy, Energy Information Administration

16. Community-Based Energy Development (C-BED) Projects

Statutory citation: [77-2704.57](#)

Description: Personal property for use in a community-based energy development (CBED) project.

Estimate: \$1,005,000

Data Source: DOR, Renewable Energy Generation Facilities Operating in Nebraska

17. Energy Used to Compress Natural Gas for Fuel

Statutory citation: [77-2704.13](#)

Description: Sales and use taxes shall not be imposed on energy sources or fuels when more than 50% of the amount purchased is for use directly in processing, manufacturing, or refining, in the generation of electricity, in the compression of natural gas for retail sale as a vehicle fuel, or by any hospital.

Estimate: Included in #11 above

18. Leases of Electric Power Structures or Facilities Owned by Political Subdivisions of the State, Electric Cooperatives, or Electric Membership Associations

Statutory citation: [77-2701.16\(2\)](#)

Description: The gross income received by political subdivisions of the state from the lease or use of electric generation, transmission, distribution, or street lighting structures or facilities owned by a political subdivision of the state to persons furnishing a public utility service.

Estimate: \$13,027,000

Data source: Omaha Public Power District, DOR

Food

19. Food or Food Ingredients (including but not limited to, food for home consumption)

Statutory citation: [77-2704.24](#)

Description: Food or food ingredients, except prepared food and food sold through vending machines.

Estimate: \$269,071,000

Data source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey

Note: Estimate excludes Supplemental Nutrition Assistance Program purchases.

20. Supplemental Nutrition Assistance Program (SNAP) — formerly “food stamps”

Statutory citation: [77-2704.54](#)

Description: Food or food ingredients that are purchased by electronic benefits transfer or with food coupons.

Estimate: \$16,125,000

Data source: U.S. Department of Agriculture, Food and Nutrition Service, Supplemental Nutrition Assistance Program

Note: State taxation is prohibited by federal law.

21. Prepared Food Sold by Schools

Statutory citation: [77-2704.10\(1\)](#)

Description: Prepared food, including soft drinks and candy, served by public or private schools, school districts, student organizations, or parent-teacher associations pursuant to an agreement with the proper school authorities, in an elementary or secondary school or at any institution of higher education, public or private, during the regular school day, or at an approved function of any school or institution. However, this exemption does not apply to sales at any facility or function that is open to the general public, except that concession sales by elementary and secondary schools, public or private, are exempt.

Estimate: \$11,570,000

Data source: Nebraska Department of Education, Annual Financial Report; University of Nebraska room and board rates; National Center for Education Statistics

22. Prepared Food Sold by Hospitals

Statutory citation: [77-2704.10\(3\)](#)

Description: Prepared food, including soft drinks and candy, for human consumption when served to patients and inmates of hospitals and other institutions licensed by the State of Nebraska for care of human beings.

Estimate: \$944,000

Data source: U.S. Census Bureau, Economic Census

23. Prepared Food Sold by Institutions at a Flat Rate

Regulation: [1-083.09](#)

Description: Prepared food furnished at fraternities, sororities, cooperative student societies, and summer camps that charge a single amount to attend.

Estimate: \$1,568,000

Data source: U.S. Census Bureau, Economic Census

Note: Educational institutions are included in #19 above.

24. Prepared Food for Elderly, Handicapped, and Supplemental Security Income Recipients

Statutory citation: [77-2704.10\(5\)](#)

Description: Prepared food sold to the elderly, handicapped, or recipients of Supplemental Security Income by an organization that accepts SNAP or food coupons under regulations issued by the U.S. Department of Agriculture, although it is not necessary for the purchaser to use SNAP or food coupons to pay for the meal.

Estimate: \$134,000

Data source: Internal Revenue Service Exempt Organizations Business Master File via National Center for Charitable Statistics; Meals on Wheels Association of America

25. Prepared Food Sold by Churches

Statutory citation: [77-2704.10\(2\)](#)

Description: Prepared food, including soft drinks and candy, for human consumption when sold by a church at a church function.

Estimate: Not available.

26. Streamlined Compliance

Statutory citation: [77-2704.15](#)

Description: Carves out an allowable exception to the definition of “prepared food” for food that requires additional cooking, like take-and-bake pizza, and updates Nebraska’s acceptance of the Streamlined Sales and Use Tax Agreement to adopt changes to the Agreement since 2010.

Estimate: Not available